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*Counsel for the Official Committee of Equity Security Holders of
USA Capital First Trust Deed Fund, LLC*

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re:)	BK-S-06-10725-LBR
USA COMMERCIAL MORTGAGE COMPANY)	Chapter 11
Debtor)	
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In re:)	BK-S-06-10726-LBR
USA CAPITAL REALTY ADVISORS, LLC,)	Chapter 11
Debtor)	
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In re:)	BK-S-06-10727-LBR
USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,)	Chapter 11
Debtor)	
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In re:)	BK-S-06-10728-LBR
USA CAPITAL FIRST TRUST DEED FUND, LLC,)	Chapter 11
Debtor.)	
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In re:)	BK-S-06-10729-LBR
USA SECURITIES, LLC,)	Chapter 11
Debtor.)	
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Affects)	
<input type="checkbox"/> All Debtors)	
<input type="checkbox"/> USA Commercial Mortgage Co.)	Date: February 15, 2007
<input type="checkbox"/> USA Securities, LLC)	Time: 9:30 a.m.
<input type="checkbox"/> USA Capital Realty Advisors, LLC)	
<input type="checkbox"/> USA Capital Diversified Trust Deed)	
<input checked="" type="checkbox"/> USA Capital First Trust Deed Fund, LLC)	

**DECLARATION OF MATT KVARDA IN SUPPORT OF MOTION BY THE OFFICIAL
COMMITTEE OF EQUITY SECURITY HOLDERS OF USA CAPITAL FIRST TRUST
DEED FUND LLC TO ESTIMATE AN ADEQUATE RESERVE FOR UNLIQUIDATED AND
DISPUTED CLAIMS IN ORDER TO PERMIT FURTHER DISTRIBUTIONS TO FTDF
MEMBERS**

1 I, Matt Kvarda, hereby declare and state as follows:

2 1. On April 13, 2006, the following related entities filed for relief under Chapter
3 11 of the Bankruptcy Code: (1) USA Commercial Mortgage Company ("USACM"); (2) USA
4 Capital First Trust Deed Fund, LLC ("FTDF"); (3) USA Capital Diversified Trust Deed Fund,
5 LLC ("DTDF"); (4) USA Securities, LLC; and (5) USA Capital Realty Advisors, LLC
6 (collectively, the "Debtors").
7

8 2. On May 10, 2006, the United States Trustee appointed the following official
9 committees to represent the interests of their respective constituents in these bankruptcy cases:
10 (1) the Official Committee of Holders of Executory Contract Rights Through USA
11 Commercial Mortgage Company (the "Direct Lenders Committee"); (2) the Official
12 Committee of Unsecured Creditors of USA Commercial Mortgage Company (the "UCC"); (3)
13 the Official Committee of Equity Security Holders of USA Capital First Trust Deed Fund,
14 LLC (the "FTDF Committee"); and (4) the Official Committee of Equity Security Holders of
15 USA Capital Diversified Trust Deed Fund, LLC (the "Diversified Committee").
16
17

18 3. I am a Managing Director of Alvarez & Marsal, LLC, the Court-approved
19 financial advisor to the FTDF Committee since June 1, 2006.

20 4. I have reviewed the facts stated in the Motion to Estimate an Adequate Reserve
21 for Unliquidated and Disputed Claims in Order to Permit Further Distributions to FTDF
22 Members (the "Motion").
23

24 5. In connection with the distributions authorized to be made by this Court, FTDF
25 has undertaken the task of establishing reserves for all scheduled or filed claims, as well as
26 accrued administrative claims.
27
28

1 6. However, FTDF has not been able to determine the appropriate reserve due to
2 the existence of unliquidated and/or disputed claims which have yet to be either liquidated or
3 disallowed (the "Unliquidated Claims"). As a result, FTDF has withheld the monthly
4 distributions to its Members.

5
6 7. To my knowledge, the list of Unliquidated Claims attached to the Motion as
7 Exhibit 1 represents an accurate and exhaustive list of all such claims.

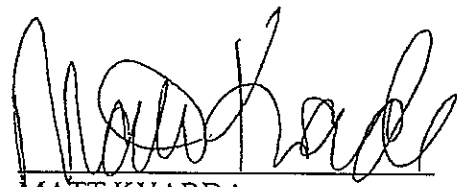
8 8. The members of FTDF have not received a distribution since September of
9 2006.

10 9. The current amount available to be distributed to the FTDF Members is in
11 excess of \$10,000,000.

12
13 10. The principal balance remaining in the FTDF loan portfolio currently exceeds
14 \$49 million. Whether or not the anticipated sale of FTDF's loan portfolio to Compass
15 Partners, LLC, closes, the cash that these remaining loans can be expected to generate will be
16 more than adequate to satisfy any of the Unliquidated Claims that may ultimately be
17 liquidated and allowed against the FTDF estate.

18
19 11. I declare, under penalty of perjury, that the foregoing statements are true and
20 correct to the best of my knowledge and belief.

21 DATED this 5th day of February, 2007.


MATT KVARDA